



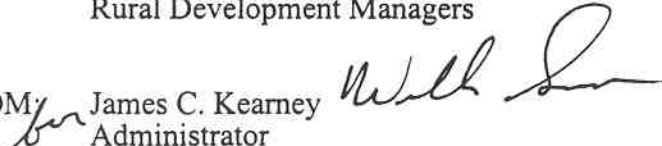
United States Department of Agriculture
Rural Development

Rural Business-Cooperative Service • Rural Housing Service • Rural Utilities Service
Washington, DC 20250

RD AN No. 3564 (1980-D)
August 17, 2000

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors,
Guaranteed Loan Specialists, and
Rural Development Managers

FROM:  James C. Kearney
Administrator
Rural Housing Service

SUBJECT: Guaranteed Rural Housing (GRH) Program
Loss Claim and Future Recovery Processing

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to simplify the loss claim process, clarify the future recovery process and calculation, and provide automation capabilities in the preparation and calculation of Loss and Future Recovery Claims.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN No. 3364 (1980-D), "Guaranteed Rural Housing (GRH) Program Loss Claim Processing," dated October 16, 1997.

BACKGROUND:

This AN is issued to clarify the process lenders and all Rural Development (RD) field offices must use when processing GRH loss claims, and provides lenders and the field with tools to calculate both loss claims and the amount of future recovery due the Agency. A lender requesting payment for a GRH loss is required to submit Form RD 1980-20, "Rural Housing Guarantee Report of Loss," and various supporting documents to substantiate the loss claim. The lender will be requested to complete a worksheet to support and calculate the loss claim and future recovery. Rural Development staff will review the loss claim or future recovery to insure accuracy before forwarding the claim or recovery to the Office of the Deputy Chief Financial Officer (DCFO) in St. Louis, Missouri.

EXPIRATION DATE: September 30, 2001

FILING INSTRUCTIONS:
Preceding RD Instruction 1980-D

IMPLEMENTATION RESPONSIBILITIES:

The USDA/Rural Development Loss Claim Worksheet has been revised and an automated process developed to complete GRH loss claims. The following attachments were updated and revised and may be used when manually preparing loss claims. Automated versions of these documents are also provided for in this AN. These attachments, as well as the automated versions of the documents should be provided to the servicing lender's Claims Department:

- Exhibit A, "USDA Rural Housing Service Single Family- Guaranteed Rural Housing Loss Claim Checklist;"
- Exhibit B, "USDA Rural Housing Service Single Family- Guaranteed Rural Housing Loss Claim Worksheet" (Manual Version);
- Exhibit C, "Table to Determine the Number of Days Between Any Two Given Dates, **365 Day Basis**," for the calculation of interest accrual;
- Exhibit D, "Table to Determine the Number of Days Between Any Two Given Dates, **360 Day Basis**," for the calculation of interest accrual;
- Exhibit E, "Automated SF-GRH Loss Claim Process, Loss Claim Worksheet, and Future Recovery Calculator, User's Guide"

Additionally, the servicing lender's Claims Department should be provided with a supply of Form RD 1980-20, "Rural Housing Guarantee Report of Loss," (Rev. 7-99), for the lender's use in the submission of loss claim requests.

When a servicing lender submits a loss claim request to RD, the lender will follow and submit the information listed in Exhibit A, "USDA Rural Housing Service Single Family- Guaranteed Rural Housing Loss Claim Checklist." In addition, the lender will complete Exhibit B, "USDA Rural Housing Service Single Family- Guaranteed Rural Housing Loss Claim Worksheet," and Form RD 1980-20, "Rural Housing Guarantee Report of Loss." The completed Exhibit B, "USDA Rural Housing Service Single Family- Guaranteed Rural Housing Loss Claim Worksheet," and the completed Form RD 1980-20, "Rural Housing Guarantee Report of Loss" will be submitted to Rural Development along with all applicable documentation as required.

The appropriate RD field office staff, as designated by the State Director, will assure that the Exhibit B "USDA Rural Housing Service Single Family- Guaranteed Rural Housing Loss Claim Worksheet," and Form RD 1980-20, "Rural Housing Guarantee Report of Loss," are accurately completed and signed by the lender before submission to the Finance Office. The State Director or the Single Family Housing Program Director must approve the claim and sign Form RD 1980-20, "Rural Housing Guarantee Report of Loss," and forward it along with the Exhibit B, USDA Rural Housing Service Single Family- Guaranteed Rural Housing Loss Claim Worksheet," to the DCFO, Finance Office, Attention: FC-350, GLB.

Typically the Exhibit B, "USDA Rural Housing Service Single Family- Guaranteed Rural Housing Loss Claim Worksheet," and the Form RD 1980-20, "Rural Housing Guarantee Report of Loss," will be sufficient documentation for the Finance Office to process the loss claim. However, in certain circumstances, supporting documentation will be required when submitting a loss claim to the Finance Office (eg. unusual claim amounts, interest on protective advances, and adjustments to the loss).

Rural Development staff will maintain in the GRH borrower case file, a completed copy of the Exhibit A, "USDA Rural Housing Service Single Family- Guaranteed Rural Housing Loss Claim Checklist," Exhibit B, "USDA Rural Housing Service Single Family- Guaranteed Rural Housing Loss Claim Worksheet," and Form RD 1980-20, "Rural Housing Guarantee Report of Loss," along with all supporting documentation provided by the lender.

When a loss is paid to a lender on a property that the lender has not yet sold from their inventory (REO Property), a loss claim is based on a liquidated appraised value. However, when the lender eventually does sell the REO, he may sell it for an amount higher than the value on which the loss claim was based. For these cases, the lender may owe the Government "Future Recovery." Other forms of recovery include, but is not limited to, collection of a deficiency judgement, collection, reimbursement of insurance, taxes, assessments, etc.

When a lender does sell REO for an amount greater than the value in which the loss was based, it may be due to the fact that the lender has made capital improvements to the property such as replacement of the roof, paint, new carpet, etc. In the past, lenders were required to pay back all recovery over and above the liquidated appraised value in which the loss claim was based without regard to capital improvements or additional Real Estate Commissions.

Due to a lack of specificity in RD Instruction 1980-D, Section 1980.377, there has been inconsistency in the calculation of future recovery. To bring consistency to the GRH program and to provide equality to the lenders that maximize the return when the REO is sold, the Agency will allow certain reductions of the difference between the sales price of the REO and the appraised value in which the loss claim was based. They are as follows:

- The cost of any capital improvements, not accounted for in the liquidation appraised value, which directly resulted in an increased sales price of the REO.
- Commission based a 6% of the difference between the actual sales price of the REO and the appraised value in which the loss claim was based.

The combined reduction, as stated above, can **NOT** be more than the difference between the actual sales price of the REO and the appraised value on which the loss claim was based.

An automated version of the "USDA Rural Housing Service Single Family - Guaranteed Rural Housing Future Recovery Calculator" incorporates the above provisions and should be utilized for ALL future recovery claims. Form RD 1980-20, "Rural Housing Guarantee Report of Loss," Report Type Code 4 will be forwarded to the DCFO, Finance Office, Attention: FC-350, GLB to report the recovery. The recovery check should be processed as a miscellaneous collection on Form FmHA 451-2, "Schedule of Remittances."

An automated version of the Loss Claim Worksheet can be used as an alternative to manually completing the loss claim. When using the automated version, the user completes the "USDA Rural Housing Service Single Family - Guaranteed Rural Housing Automated Loss Claim Input Worksheet" (Start Here-Variables" tab). The system completes all the calculations and automatically completes "USDA Rural Housing Service Single Family- Guaranteed Rural Housing Loss Claim Worksheet" and the Form RD 1980-20, "Rural Housing Guarantee Report of Loss." These forms are then printed and signed by the appropriate officials. The Form RD 1980-20 is completed by the system up to Item 44, excluding Item 29. The Rural Development State or Field Office must complete the balance of the form.

For All Future Recovery calculations, the automated "USDA Rural Housing Service Single Family - Guaranteed Rural Housing Future Recovery Calculator" should be used to determine the amount of future recovery a lender owes the Agency. A User's Guide entitled "Automated SF-GRH Loss Claim Process, Loss Claim Worksheet, and Future Recovery Calculator, User's Guide," is included as Exhibit E for assistance in completing the automated version of the Loss Claim Worksheet and Future Recovery Calculator. An electronic version of the User's Guide is also available.

The automated version of the Loss Claim Worksheet and Future Recovery Calculator is a Microsoft Excel 97 Template. The file name of Automated Loss Claim Worksheet and Future Recovery Calculator is *RHSLoss4.xlt*. The User's Guide is an MS Word document with a file name of *UsersguideLossClaims.doc*. The Loss Claim Worksheet, Future Recovery Calculator, and the User's Guide will be distributed via e-mail to each State Office upon publication of this AN and can also be obtained by contacting Dean Daetwyler by e-mail at: ddaetwyl@rdmail.rural.usda.gov. Both will be available through the Intranet and the Internet once a Web location is established. More information on a Web location will be distributed at a later date.

This automated version of the Loss Claim Worksheet, Future Recovery Calculator, and the User's Guide, may be distributed to all servicing lenders for their use. For lenders without Microsoft Excel, Rural Development personnel can print the manual Loss Claim Worksheet and the manual Form RD 1980-20 for the lender to use. These documents are included in *RHSLoss4.xlt*.

Questions pertaining to this AN can be directed to Dean Daetwyler in the Single Family Housing Guaranteed Loan Division at (202) 690-0514 or by e-mail at ddaetwyl@rdmail.rural.usda.gov.

Attachments